

RSC BRIEFING

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5 OCTOBER 1955

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MIDDLE EAST MANEUVERS

X. Egypt's arms deal with the Soviet Bloc is firm.

A. In talks with Ambassador Byroade and Asst. Sec'y Allen on 1 and 3 Oct, Nasr reiterated his determination to go through with the deal, while expressing great confidence in his ability to avoid entanglements with Communism.

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B.

small arms, plus machine guns superior in range to Egyptians' present equipment -- arrived at Alexandria on 27 Sept.

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II. Approved For Release 2000/08/29 : CIA-RDP79R00890A000600050004-2

SOVIET UNION'S
substantially forward the ~~USSR's~~ long-range policy of encouraging neutralist sentiments in the area, reducing the dependence of these nations on the West, and establishing closer ties with the Sino-Soviet Bloc.

- A. While Soviet munitions offers are important in terms of their immediate effect, long-term barter agreements are even more significant.
- B. Once these Middle Eastern states establish a steady market in the Soviet bloc for exports important to their economies, they will be under strong *interest* pressure to continue their hold on these markets.
- C. Under these circumstances, the Sino-Soviet Bloc would possess a strong economic lever to be used for political purposes.

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SOVIET Union
C1. ~~Approved For Release 2000/08/29 : CIA-RDP79R00890A000600050004-2~~
The USSR, in recent months, has followed exactly this program -- including not only arms but economic help and attractive barter arrangements -- in the Middle East. Where loans have been made, the interest rate is low (2 1/2% and 3% in India and Afghanistan).

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A. In Egypt, for example and despite Nasr's apparent determination to keep Bloc relations on purely commercial basis, a Soviet loan -- say at 2% -- for the "high dam" at Aswan would be immensely attractive.
- B.* Some such sort of Soviet loan to Egypt was offered even before the arms negotiations began last May, and was reportedly repeated during the current negotiations.
- C.* By way of contrast, the West's IERD mission completed a survey on the "high dam" project in Dec 53, found it technically feasible, but the

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has still not made Egypt a proposition.

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1. Moreover, ~~US~~ loan rates are usually 4% to 5% to Middle Eastern countries.

2. Soviet loan rates are not only lower, but usually allow payment in kind, rather than cash. Soviet readiness to accept Egyptian cotton in payment, could be a determining factor for Egypt.

IV. The Soviets, having netted ^{Egypt} ~~Nasser~~ with their arms deal, are not resting on their oars. Elsewhere in the Middle East *they are also on the move*:

A. The Syrian government has failed to deny reported receipt of a new Soviet arms offer, although the Prime Minister has stated that he prefers not to deal with the Soviet Bloc on arms procurement. Damascus press reaction to Egypt's deal nonetheless has been very favorable.

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~~B.~~ The Saudis will certainly also be among those tempted--their initial reaction to the Egyptian deal was favorable.

~~Y.~~ Meanwhile, the Israelis, convinced that Egypt will use Soviet arms against them, are demanding that action be taken by the West (particularly the US) to deter aggression.

~~A.~~ Ambassador Eban, in urging this action on the US, characterized the Israeli attitude as: "let's not sit here like rabbits, waiting for the kill."

~~B.~~ Tel Aviv wants Western arms to counter the threatened imbalance; also wants more Western guarantees of status quo in the area.

~~C.~~ Even in the absence of Western help, a Middle East arms race is possible, since Israel can secure considerable military equipment from various arms hawkers in Europe.

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A. Tel Aviv has already formally told the Czechs that the Egyptian deal is an "unfriendly act," and has asked Moscow for a clarifying statement on Soviet policy in Middle East.

VII. Meanwhile, Israel is likely to assume a more belligerent posture toward the Arabs.

A. A tougher frontier policy is likely, with more border incidents as a result.

B. In the months ahead, Israel is likely to ponder the idea of full-scale "preventive" war, before the Arabs can overtake Israeli military strength.

I don't believe

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